that monthly premium remittances received from MCD were being partly diverted towards adjustment of fresh proposals and towards renewal premium of other policy-holders. Owing to this diversion of renewal premium, various policies of MCD employees had multiple gaps in their premium payment. LIC appointed another committee to undertake a detailed enquiry into the matter, and this committee submitted its report on 10.9.2004. The matter was referred to the Vigilance Department of LIC which in turn referred it to the Central Vigilance Commission (CVC) on 21.05.2005. Later, the Central Bureau of Investigation (CBI) registered an FIR and raided the Khan Market office of LIC on 28.09.05.The matter is under investigation by CBI. LIC has also initiated disciplinary action against eighteen staff members. The agency of the concerned agents have been terminated.

(c) and (d) Disciplinary proceedings against five agents and eighteen staff members have already been taken as per LIC Agents Regulations/ Staff Regulations.

(e) In order to check such frauds, LIC has put in place a very robust mechanism viz. extensive use of computers and double back up of records.

Declining expenditure on social and infrastructure development

*92. SHRI SANJAY RAUT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that various State Governments are unable to spend much on social and infrastructure development of their respective state as they are facing acute financial crisis due to heavy loan amount and mismanagement of financial structures;

(b) if so, Government's reaction thereto;

(c) whether Government are considering any structured and transparent approach to lesion the burden of debt on various states so that they can increase their expenditure and investments on infrastructure and social sector;

(d) if so, the details thereof; and

(e) if not, the reasons therefor?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (e) It is a fact that various State Governments have been spending less on the

social sector and physical infrastructure as evidenced by low ratio of such expenditure to their gross State Domestic Product. Increasing non developmental expenditure in the total expenditure of the States has led to partial crowding out of the expenditure in social sector and infrastructure. For many States, three major committed expenditure viz., interest payments, salaries and pensions equalled almost their entire revenue receipts, leaving very little fiscal space for sustained expenditure on social and infrastructure development.

In order to reduce the interest burden of the States, Government of India operated a debt swap scheme in recent years. Swapping of GoI loans with interest rates of 13 per cent and above has helped the States to reduce their debt servicing costs to a considerable level.

Higher resource transfers under devolution of States' share in Central taxes and duties, social sector specific grants for States whose per capita expenditure on Education and Health are below the group average and gap filling non plan revenue deficit grants recommended by the Twelfth Finance Commisson (TFC) are expected to supplement the resources of States to increase the quality of expenditure and investment in priority sectors.

Government of India has also increased its support under Central sector and Centrally Sponsored Schemes to the States for filling critical gaps in social sector including health, education and nutrition. Budgetary support has been enhanced to Sarva Shikska Abhiyan, Integrated Child Development Scheme, Mid-day meal scheme. National Rural Health Mission has been launched this year.

Government of India has accepted the recommendation of the TFC for a Debt Consolidation and Relief Facility that would enable the States to pay lesser amount of repayment of principal and interest.

In addition, a debt waiver scheme, also recommended by TFC, linked to reduction of revenue deficit of States, has also been put in place. This should help the States in reducing their debt burden.

Reduction and subsequent elimination of revenue deficit by 2008-09 should provide the much needed fiscal space and unlock the resources for higher investment in social sector and physical infrastructure.